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## Taiwan

### Retail Food Sector

### 2005

**Approved by:**

Hoa Huynh, Director, ATO Taipei  
American Institute in Taiwan

**Prepared by:**

Amy Chang-Chien Hsueh, Marketing Specialist

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**Report Highlights:**

Globalization is a distinguishing characteristic of Taiwan's food retail market. Foreign operators, including Carrefour, Wellcome, Auchan, Costco, and Geant continue to dominate Taiwan's food retail market. Fierce competition among these retail stores continues. Mergers and strategic alliances will continue to take place over the next few years.

Liberalization of the Taiwan market resulting from Taiwan's accession to the WTO in 2002 has provided opportunities for food product imports. Many food retail chains are expanding direct or indirect imports of new-to-market items. It is advisable for U.S. suppliers to contact these retail chains directly.

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## Taiwan Retail Food Sector 2005

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## SECTION I. MARKET SUMMARY

### 1. Taiwan in Profile

#### Geography

Taiwan is located off the southeast coast of the Asian continent, between Japan to the north and the Philippines to the south, with a current population of nearly 23 million people. The total area is about 14,000 square miles. About two-thirds of the island is covered with lushly forested mountains. Taipei and Kaohsiung on the west coast are the two major metropolises of Taiwan with population of 6.3 million and 2.8 million respectively. The elderly (age 65 and above) currently make up 9.2 percent of the island's population, and is increasing rapidly.

#### Economic Situation

Taiwan has a dynamic, capitalist economy that continues to expand annually. Taiwan's foreign exchange reserves are the world's second largest, exceeded only by the PRC. In 2004, Taiwan's economy, freeing from the hit by the outbreak of SARS in 2003, rebounded significantly with an annual GDP growth rate of 5.7%. However, Taiwan authorities have recently adjusted its forecast for 2005 economic growth downward to 3.7%.

#### Trading Partners

The United States and Japan have long been the two major suppliers of Taiwan's imports. Prior to 1995, these two countries consistently provided more than half of Taiwan's total imports. However, the ASEAN and the PRC have shifted some import share away from the US and Japan, accounting for 12% and 10% of Taiwan's total imports respectively in 2004. The United States and Japan altogether accounted for 38% of Taiwan's imports in 2004.

#### Agricultural Trade

Taiwan is the sixth largest market for U.S. food and agricultural product exports. In 2004, the United States, exported US \$2.6 billion of agricultural products to Taiwan, a two (2) percent increase from the previous year, capturing 30 percent of total Taiwan's agricultural imports (approximately US\$9 billion). The United States (30%), Australia (7%) and Japan (7%) were top three largest suppliers of Taiwan's agricultural imports.

Taiwan became a full member of the World Trade Organization (WTO) in 2002. The lowering of tariff and non-tariff trade barriers for food and agricultural products has provided improved market access for a wide range of U.S. agricultural products including fresh produce, dairy products, meat, seafood, and processed food products. Given Taiwan's relatively small agricultural sector, Taiwan's dependence on imports is expected to continue to grow. Taiwan's continued modernization, and increased adoption of American and western food tastes make the country an extremely attractive market for U.S. exporters.



### Taiwan At a Glance 2004-2005

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➤ Land Area	14,000 square miles
➤ Population	22.6 million
➤ Gross Domestic Production (GDP)	\$305.4 billion
➤ Gross National Production (GNP)	\$316.7 billion
➤ Per Capita GNP	\$14,032
➤ GDP Growth Rate 2004/2005 (estimated)	5.71% / 3.65%
➤ Total Agri-Food Imports	\$8.9 billion
➤ Total Agri-Food Exports	\$3.6 billion
➤ Agri-Food Imports as a Share of Total Imports	5%

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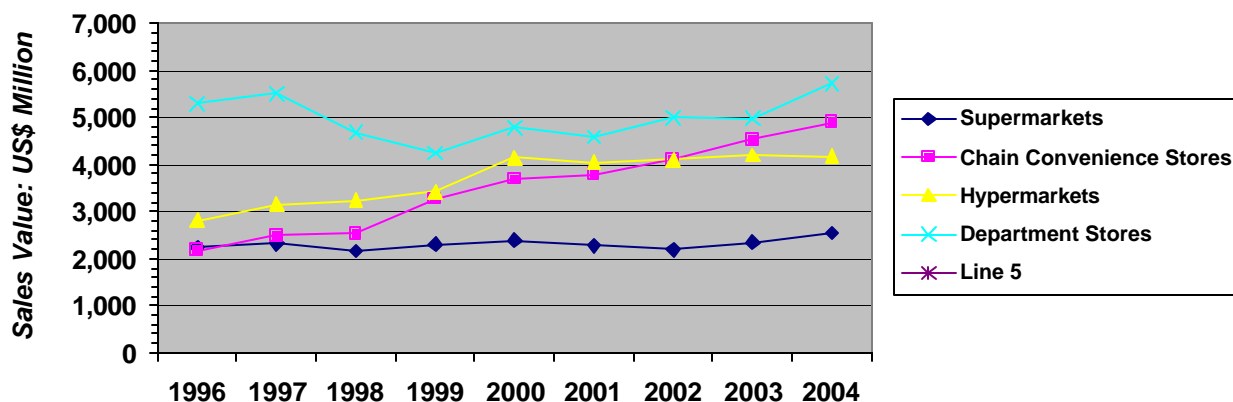
Taiwan Council of Agriculture; Directorate General of Budget, Accounting, and Statistics

## 2. Taiwan Retail Food Sector in Overview

### Market Size

The entire retail food industry sales in the year 2004 were \$20.6 billion, a 7% sales gain over 2003. The following chart outlines the trend that convenience stores have been growing significantly and are taking the second market-leading position, in lieu of hypermarkets, behind department stores in Taiwan.

**Store Channel Growth Trends  
1996-2004**



### Retail Stores 2004

	Total # of Retailers	Total # of Outlets
Department Stores	21	58
Supermarkets	32	963
Chain Convenience Stores	11	8,115
Hypermarkets	12	107

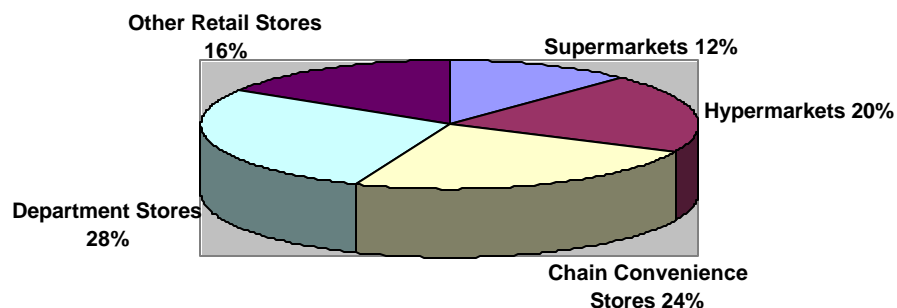
Source: Taiwan Chain Stores & Franchise Association Yearbook 2004

**Growth of Revenues by Store Format (%)**

	2000	2001	2002	2003	2004
Department Stores	9	4	11	-2	13
Supermarkets	-0.02	3	-1	5	7
Convenience Stores	9	11	11	8	6
Hypermarkets	17	6	4	1	-2

Source: Taiwan Chain Stores & Franchise Association Yearbook 2004

**Retail Outlet Market Share 2004**  
**Total Modern Retail Sales \$21 Billion**



## Globalization

Globalization is a distinguishing characteristic of Taiwan's food retail market. Foreign operators, including Carrefour, Hong Kong-based Wellcome, Auchan of France, Costco of the United States, and France's Geant continue to dominate Taiwan's food retail market.

## Competition

Taiwan's food retail industry has entered a phase of maturity. Mergers and strategic alliances will continue to take place over the next few years. The larger chains continue to grow at a constant rate while small chains have begun to stagnate.

- ❑ Tesco decided to withdraw from the Taiwan market. Its six stores in Taiwan will be acquired by Carrefour by the end of 2005. The merger will boost Carrefour's market presence from 33 percent with 36 outlets nation-wide to 40 percent with 42 outlets.

- ❑ In 2002, Hong Kong-based Wellcome Supermarket merged with local Kasumi's 23 supermarket outlets. Wellcome also merged with Sun Mart's 7 stores, mainly located in the Taipei metropolitan area, in 2004, and further strengthens its position as the largest supermarket chain in Taiwan.
- ❑ Makro shut down its remaining six stores in Taiwan in 2003, citing high operating costs and keen competition. Makro was the first foreign retailer to open a store in Taiwan in late 1989.

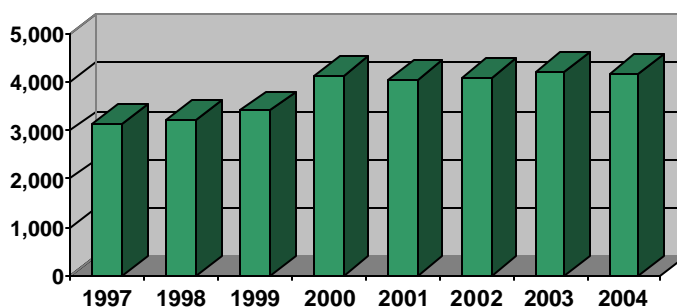
### Store Trends

- ❑ Private Label: To offer differentiation and to increase markups, many of Taiwan's retail chains, including 7-Eleven, Auchan RT Mart, Carrefour, Wellcome, Aimai Geant, and Costco, are aggressively expanding and promoting private label products (both imported and domestically produced). As the average selling price of private label products is 15-40% lower than branded items, they are increasing in popularity in the market. Industry sources estimate that currently private label products account for an average of 5 percent of the revenue of a retail food chain in Taiwan, adding that 10 percent is their common short-term target.
- ❑ Customer Service: Each food retail chain will continue to increase the number of new products carried and services offered to attract more customers. Retail stores will continue to extend their service items, such as on-line shopping/home delivery packages, international express mail, and public utility fee collection.
- ❑ Health, Nutrition and Safety: Taiwan people are becoming more health conscious and environmentally sensitive. Therefore, demand for healthy/organic foods is expected to continue to grow. Also, Taiwan's population is aging. The elderly (age 65 and above) make up 9.2 percent of the island's population and are increasing rapidly. Currently, products with low sugar, low salt, natural, and high calcium are most popular among Taiwan's elderly people.
- ❑ Convenience: With many women working, the eating-out population and single-person households are becoming more common. As a result, small packaged products, ready-to-cook dishes, and ready-to-eat refrigerated meals are becoming more popular. The percentage of this type of convenience foods will continue to increase in retail stores.

### Hypermarkets

In Taiwan, growth by hypermarkets and wholesale stores has been rapid since the first store, Makro Taiwan, opened in late 1989. The rapid expansion of the hypermarkets has now slowed since 2001 due to an overall economic slowdown of the past few years and intensifying competition. Makro withdrew from Taiwan in 2003. Tesco decided to pull out of the country at end of 2005.

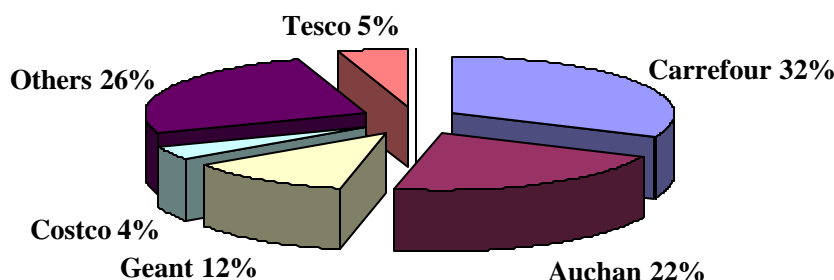
Hypermarket Growth Trends 1997-2004  
US\$Million



In 2004, Taiwan hypermarkets generated a total of US\$4.2 billion in sales, a nearly nine percent decrease from the previous year. Growth in the hypermarket sector will remain flat with an additional four new stores being opened in 2005. There are now 105 hypermarkets in Taiwan, some foreign owned and some locally owned and operated. Foreign operators, including Carrefour, Auchan, Geant, and Costco, continue to dominate the Taiwan market, holding a nearly 75% market share, in terms of sales generated.

### Market Share 2004 - Hypermarkets

Total outlets: 107



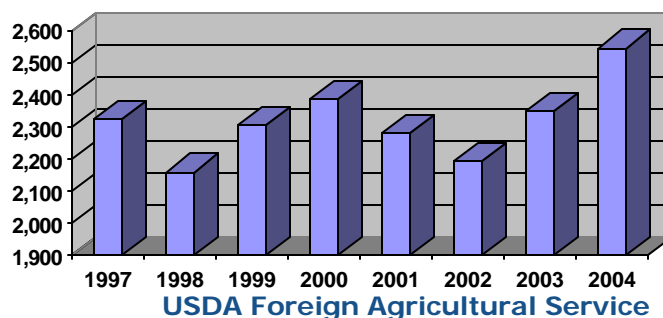
Most of Taiwan's hypermarkets and warehouse stores are located in suburban areas. However, the current tendency is to compete with each other for positioning new stores in the urban metropolitan areas, as land prices have decreased. Recently opened hypermarkets have tended to be smaller in area. To lower operating costs, as well as to differentiate themselves from their competitors, many hypermarkets have increased their volumes of imported and private label items.

According to an ACNielsen market research, each hypermarket serves an average of 229,000 people in Taiwan. In the European Union, there is a hypermarket store for every 30,000-50,000 people. Based on this, Taiwan's Food Industry Research & Development Institute (FIRDI) predicted that there is still much room for growth in hypermarkets in Taiwan. However, adding that operating a hypermarket is harder in Taiwan. Tough competition comes not only from modern food retail stores but also from the numerous street stalls and traditional wet markets which provide not only convenience but also cater to local tastes.

### Supermarkets

Supermarkets have generated more than \$2.5 billion in sales in 2004, a 7 percent increase compared with the previous year. The supermarket industry has reached a plateau after approximately 20 years of rapid expansion. Continued fierce competition from hypermarkets and convenience stores, have made it

Supermarket Growth Trends 1997-2004  
US\$Million

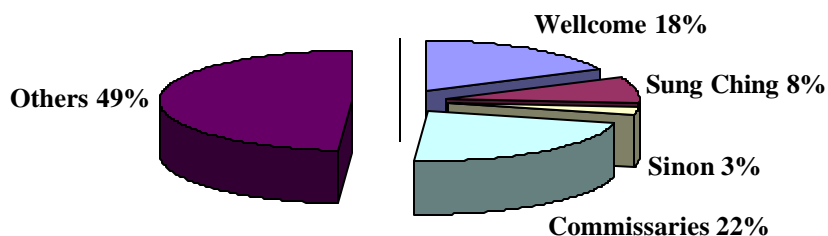


difficult for small supermarkets to survive. Mergers among supermarkets are expected to continue over the next few years, forming an aspect of concentration on one or two large chains.

To meet stronger competition, supermarkets have been aggressively developing other effective strategies. These include launching the “Jasons Market Place” at the Taipei 101 Tower in 2003 by the Wellcome Supermarket Chain. The new supermarket mainly carries higher end and imported foods, which account for 50% of the products carried, to cater to the needs of city dwellers. Soon afterwards, Wellcome launched its second Jasons Market Place at the Takashimaya Department in Taipei. In addition, there are now two newly-established “Matsusei” and one “City’Super” stores in Taipei that are under this new supermarket format category. This new supermarket format may become fashionable for a time in Taiwan.

### Market Share 2004 - Supermarkets

Total outlets: 963

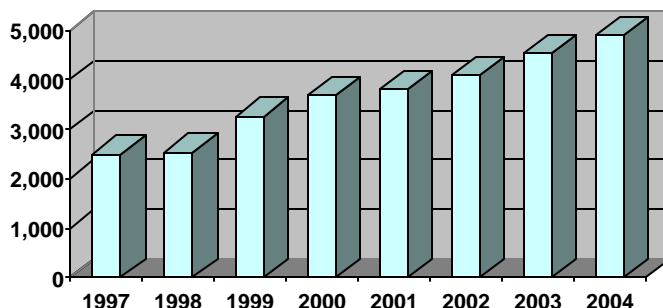


The idea of “freshness” for supermarkets serves as a tool to attract customers, and to generate profits. Fresh items carried in supermarkets have seen an increase in recent years, reaching about 50 percent of the total items carried. Fresh fruit and vegetables, meat, and seafood are also used by supermarkets to differentiate themselves from hypermarkets and conveniences stores as well as to guarantee the profitability of a store and attract more customers.

### Convenience Stores

According to Cabinet-level Taiwan Fair Trade Commission’s research, the growth of Taiwan’s convenience stores, in terms of store expansion, have been slow from 25.38% in 1999 to 9.06% in 2003, and is not expected to grow significantly during the next few years. The revenues generated have also been slower, from 11.27% of annual growth rate in 1999 to 6.48% in 2004. This segment generated nearly US\$5 billion in sales in 2004. Total sales turnover of this sector continued to drop below its annual double-digit percentage growth since

Convenience Store Growth Trends 1997-2004  
US\$Million



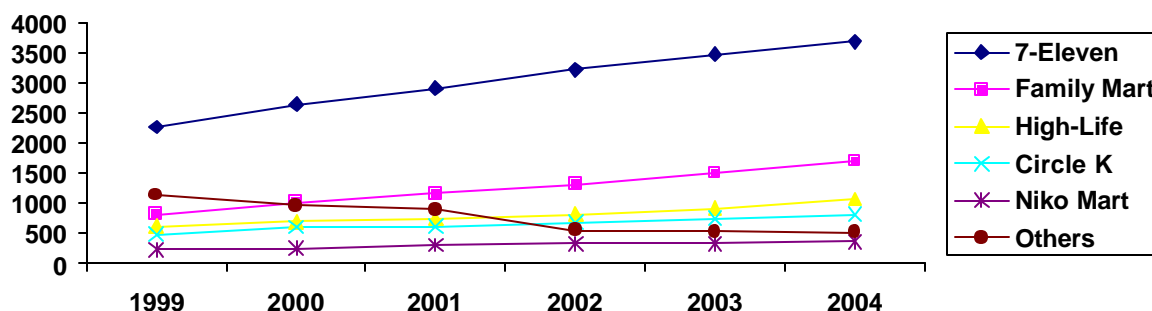


2002. This was mainly due to several factors including unstable weather, price battle from hypermarkets and drug stores, as well as failure of developing popular products by these CVS stores.

According to a 2005 ACNielsen market research, Taiwan has the highest store density, with 8,000 stores throughout the country or one store per 2,800 people.

As of September 2005, there were over 8,582 chain convenience stores in Taiwan. 7-Eleven, with 4,000 outlets island-wide, accounts for 47 percent of the market, followed by Family Mart (21%, 1,784 stores), Hi-Life (13%, 1,124 stores), Circle K (10%, 850 stores), and Niko Mart (4%, 365 stores). The leading five chains altogether account for 94% of the total market. The tendency of the market is that the large chains become larger, and the small chains are getting difficult to survive in such fierce competition.

**1999-2004 CVS Store Growth Trends**  
Unit: Stores



Currently, the most popular products sold in Taiwan's convenience stores were home meal replacement (HMR) and fresh ready-to-eat food items, such as lunch boxes, Japanese style rice rolls (sushi), hot dogs, sandwiches, buns, pizzas, fried rice/noodles, and hamburgers. These HMR items currently account for approximately 10-15% of the total revenues of these stores. However, this category remained flat with some items even had negative growth in 2004, due to few food safety-related happenings that impacted the sales of HMR items. Convenience stores are expected to continue to make efforts in developing and marketing new convenience foods, especially lunch boxes, breakfasts, and dinners. And, at the same time they continue to extend service items, such as on-line shopping/home delivery packages, public utility fee collection, and international express mail. The income from collecting public utility fee has become one of the most important revenue earners for these stores. Reportedly, the leading five convenience store chains in Taiwan altogether collected over US\$8 billion of public utility fee in 2004.

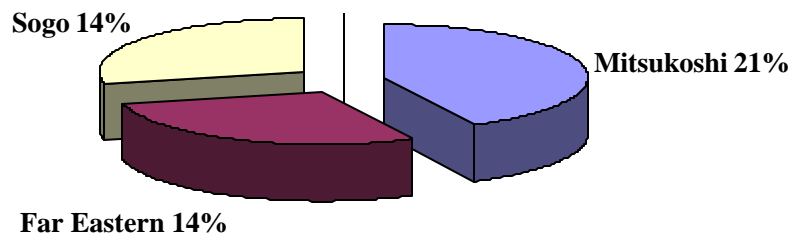
## Department Stores

Most department stores in Taiwan have supermarkets in their basements. The main effect of these supermarkets is to draw customers to the store by carrying a wide range of gourmet products. In the past, these supermarkets were not profit centers for the store. However, recently they have become more popular and better revenue earners. With Taiwan's economy turning around reaching a nearly 6% growth in 2004, the department store sector, reflecting this significant growth, generated total revenues of nearly US\$6 billion in 2004, a 13 percent increase from the previous year. Market consolidation took place with the Far

Eastern Department Store acquiring 85% of the Pacific Sogo Department. The department store industry is expected to continue to expand over the next few years.

### Market Share 2004 - Department Stores

Total outlets: 58



Currently, the Taiwan-Japan joint ventures Shin Kong Mitsukoshi (12 stores), Pacific Sogo (6), Guang-San Sogo (2), and local Far Eastern Department Store (8), together dominate the Taiwan market, with a total of nearly 50 percent market share. Japanese operators, including Sogo, Mitsukoshi, Takashimaya, Isedan, and Hanshin have become the mainstream of Taiwan's department store industry.

### 3. Advantages and Challenges for U.S. Exporters

Advantages	Disadvantages
U.S. products are perceived by Taiwan consumers to be of high quality.	Lack of knowledge of U.S. brands by importers and retailers.
The majority of Taiwan consumers can afford imported food products.	Lack of brand awareness by consumers
Taiwan's WTO accession in early 2002 resulting in further market liberalization and import tariff reduction has provided U.S. exporters with more market opportunities	Competition among major world agricultural and food exporters for a share of Taiwan's growing food import market is further intensifying due to Taiwan's WTO accession.
The growing modern retail industry is looking for new imported food products.	Lack of importer and retailer knowledge and training in purchasing, handling, and merchandising U.S. products.

## SECTION II. ROAD MAP FOR MARKET ENTRY

### 1. Entry Strategy

- ❑ **Direct** Taiwan's supermarket, hypermarket, convenience store, and warehouse store chains purchase from local importers, wholesalers, and manufacturers. However, the current tendency is to increase the volume of direct imports to avoid the higher cost of products purchase from importers and local manufacturers. U.S.

suppliers can sell directly to these stores by contacting their purchasing managers. The best method to reach Taiwan's retail buyers is to initially contact them directly via e-mails or faxes. Product catalogues and price lists are essential. Sample products are very helpful. U.S. suppliers can obtain a list of major Taiwan retail stores from the ATO Taipei.

- ❑ **Indirect** U.S. companies may wish to concentrate on establishing their business relationships with a reliable and efficient importer and distributor, who in turn will sell the imports to retail stores. The ATO Taipei maintains listings of potential importers/distributors for U.S. suppliers.
- ❑ **On Line Procurement** Some retail chains, especially those with foreign joint venture partners such as Carrefour and RT Mart, currently purchase on line a very limited number of product items.

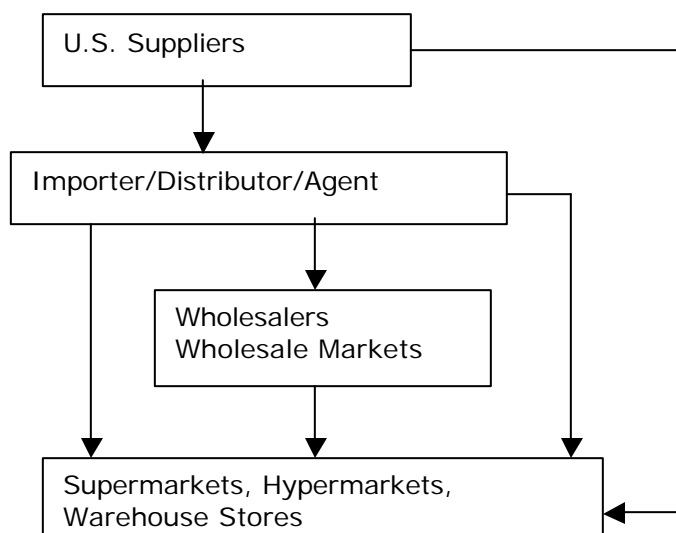
Industry sources estimate that currently up to 95% of imported processed foods are imported through importers. The direct imports by retail stores are anticipated to increase.

Taiwanese buyers in retail stores tend to buy and import directly those products that are already well known in the market. The reason according to purchasing managers is that they do not want to risk trying out a new product. Instead, stores prefer to buy new-to-market imported products from local suppliers. A trend for supermarkets/hypermarkets is to begin importing directly from a consolidator who can arrange one consolidated shipment for a variety of new and/or already in-the-market products. However, purchasing managers of these Taiwan retail stores state that they welcome offers with market potential from any reliable and dependable suppliers.

A visit to Taiwan is an excellent way to start establishing a meaningful relationship with potential Taiwan buyers. U.S. suppliers are advised to bring product samples to Taiwan to provide to potential buyers as many importers and retailers rely heavily upon subjective factors when deciding on new products to represent.

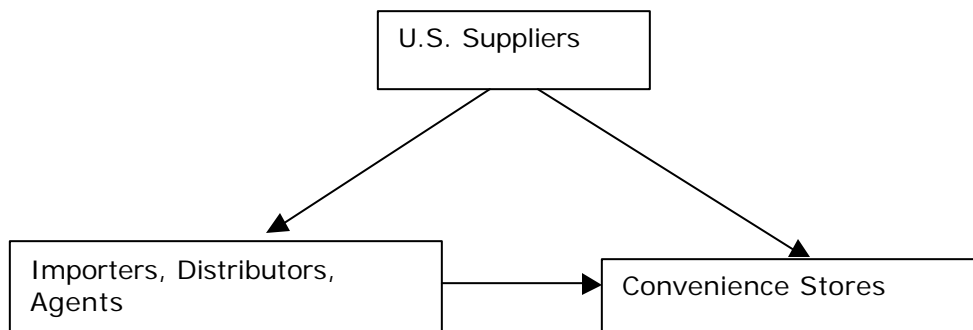
## 2. Market Structure

### Supermarkets/Hypermarkets/Warehouse Outlets



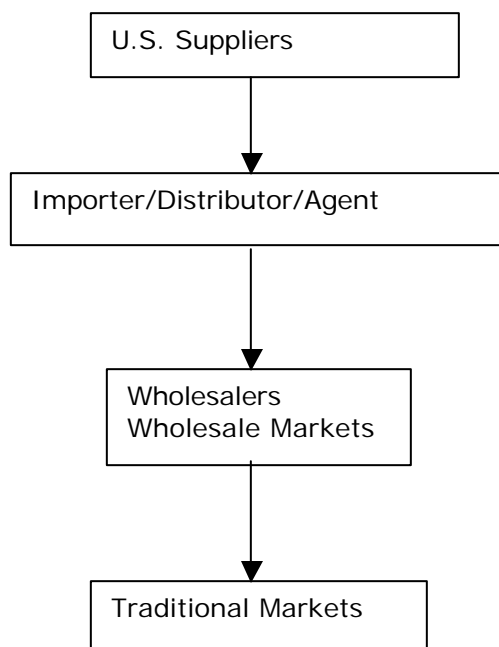
- ❑ **Fresh Fruit** Industry sources estimate that approximately 15 percent of imported fresh fruit is now imported directly by supermarkets, hypermarkets, and warehouse stores. The remaining 85 percent is imported by importers/distributors. Direct import of fresh fruit by retail stores is expected to continue to increase over the next few years.
- ❑ **Fresh and Frozen Meat** On average, the ratio of direct and indirect beef imports by Taiwan's hypermarkets is 40:60. Supermarkets currently import a limited amount of beef directly. About 90 percent of pork is purchased by supermarkets and hypermarkets from local pork processors/wholesalers, and the remaining 10 percent is imported by importers/distributors.
- ❑ **Fresh and Frozen Seafood** It is estimated that approximately 3% of seafood is imported directly by retail stores. The remaining is sold to retail stores through importers, wholesalers, and distributors.

### Convenience Stores



Major Taiwan convenience store chains import directly. They also rely on importers, agents, and distributors for products. Major Taiwan convenience store chains have their own distribution centers to distribute products, both dry and chilled/frozen goods, to each outlet. The other convenience stores have ties with other distribution centers.

### Traditional Markets



- ❑ The same importers, distributors, and wholesalers that provide for the supermarkets, hypermarkets, and convenience stores provide for traditional markets, including wet markets and mom & pop grocery stores. Unlike supermarkets, hypermarkets, and convenience stores, the wholesalers and regional wholesale markets play the most important role in distribution of products for traditional markets. Modern warehouse stores, such as Costco Wholesale, also provide products for traditional markets.
- ❑ Grocery products are usually supplied by local wholesalers, although agricultural products are often purchased at regional wholesale markets.
- ❑ Sales of imported goods in traditional markets should not be overlooked. Industry sources estimate that around 55 percent of imported fruit from the United States is sold in wet markets island wide.

### 3. Company Profiles

#### Major Hypermarket/Warehouse Store Profile

<b>Retailer and Outlet Type</b>	<b>Ownership</b>	<b>2004 Sales US\$Million</b>	<b>2004 No.of Outlets</b>	<b>Locations</b>	<b>Purchasing Agent Type</b>
Carrefour Hypermarket	French/Taiwan	1,555	34 (36)	Nationwide	Direct, importer, wholesaler, agent
RT Mart Hypermarket	French/Taiwan	689	23 (23)	Nationwide	Direct, importer, wholesaler, agent
Aimai Geant Hypermarket	French/Taiwan	444	13 (13)	Nationwide	Direct, importer, wholesaler, agent
Costco Warehouse	U.S./Taiwan	239	4 (4)	Nationwide	Direct, importer, wholesaler, agent
Tesco Hypermarket	UK	209	5 (6)	Nationwide	Direct, importer, wholesaler, agent
Taiwan Sugar	Taiwan	-	4 (4)	Southern Taiwan	Importer, wholesaler, agent
Dollars Hypermarket	Taiwan	-	3 (3)	Southern Taiwan	Direct, importer, wholesaler, agent

Source: Taiwan Chain Stores and Franchise Association Yearbook 2004; China Credit Information Service, Ltd.; *Distribution News*

\* Figures inside the parentheses represent number of outlets as of September 2005

- ❑ Taiwan's highly competitive hypermarket sector is facing a major reshuffle. Carrefour will formally take over rival Tesco's Taiwan operations of six stores at the end of 2005, which could have a ripple effect and cause problems for rivals. The UK retailer entered Taiwan in 2000 with a relatively slow pace of store expansion compared with its stronger rivals, including Carrefour.
- ❑ The France-based Carrefour SA and the Uni-President Group, Taiwan's largest food company, in 1987 established Carrefour Taiwan jointly. Currently, Carrefour and the Uni-President each hold a sixty percent (60%) and forty percent (40%) stake respectively. Carrefour indicated in a press interview that localization, product differentiation, private labels, and flexible new store openings are the main factors of its success in Taiwan. Carrefour is further strengthening its market-lead position in Taiwan with 40 percent market share and 42 outlets island wide after acquiring Tesco's stores at the end of 2005. Reportedly, Carrefour planed to expand to 50 outlets in Taiwan by 2008.
- ❑ Costco Wholesale is the only wholesale store that issues membership cards with an annual fee of NT\$1,200 (approx. US\$35) in Taiwan. Its characteristics that differentiate them from other chains are: American style management, high percentage of imported goods, and large packaging. Costco inaugurated its fourth store in Taiwan in 2004.

- ❑ RT Mart, currently the second largest and one of the most aggressive hypermarket chains in Taiwan, signed a contract with French hypermarket operator Auchan SA to sell a 67% stake of its shares to Auchan in 2001. RT, which was established in 1996, currently has 23 outlets in Taiwan and nearly 50 outlets in the PRC.

### Major Supermarket Store Profile

Retailer and Outlet Type	Ownership	2004 Sales US\$Million	2004 No. of Outlets	Locations	Purchasing Agent Type
Wellcome	Hong Kong	-	169 (166)	Nationwide	Direct, importer, wholesaler, agent
Sung Ching/ Marukyu	Taiwan	156	77 (75)	Central/North Taiwan	Direct, importer, wholesaler, agent
Sinon	Taiwan	97	32 (33)	Central Taiwan	Direct, importer, wholesaler, agent
Commissary stores	Taiwan	-	213 (261)	Nationwide	Importer, agent, wholesaler
Taipei Agr.	Taiwan	67	16 (16)	Taipei	Importer, agent, wholesaler
Jasons Market Place	Hong Kong	-	2 (2)	Taipei	Direct, importer, wholesaler, agent
City'Super	Hong kong	-	1 (1)	Taipei	Importer, agent, wholesaler

Source: Taiwan Chain Stores and Franchise Association Yearbook 2004; China Credit Information Service, Ltd.; *Distribution News*

\* Figures inside the parentheses represent number of outlets as of September 2005

- ❑ With the acquisition of twenty-two stores from Kasumi in 2003 and seven stores from Sun Mart in 2004, Wellcome further strengthens its position as the largest supermarket chain in Taiwan. Wellcome currently operates 166 outlets island-wide, which more than doubles Wei-chuan Foods Group's Sung Chin/Marukyu, in second position, in terms of number of stores. Wellcome currently accounts for 26 percent of the market.
- ❑ Wellcome Supermarket launched its first "Jasons Market Place," a new store format which mainly carries higher-end and imported foods, in November 2003. Jasons' organic/healthy food corners - its distinguishing characteristics - carry an estimated 1,200 items of HMR and other food products with low fat, low salt, high fiber, and non-dairy. In addition, Wellcome has located in the Taipei Metropolitan area two superstores. The Wellcome superstores are a format combining concept of a modern supermarket with a traditional wet market. Jasons Market Place carries over 45 percent of imported goods and a high percentage of fresh items, such as fresh produce, meat, poultry meat, and seafood.
- ❑ Local Far Eastern Group launched its first "City's Super" Supermarket at the Far Eastern Plaza Shopping Mall in Taipei at the end of 2003. Imported items account for 50% of its food section. Price is 10-15% higher than regular supermarkets. City

Super reportedly planed to expand to 5 stores within 5 years.

- ❑ Sinon Supermarket is the largest supermarket chain with currently 33 outlets in Central Taiwan. Sinon owns a distribution center supplying all Sinon supermarket stores with dry and fresh/frozen goods. Sinon is a leading diversified company in central Taiwan. Their businesses include food and non-food manufacturing and trading. The well-known “Sinon Bulls” professional baseball team recently won the annual Taiwan Series Championship.

### Major Convenience Store Profile

Retailer and Outlet Type	Ownership	2004 Sales US\$Mil	2004 No.of Outlets	Locations	Purchasing Agent Type
7-Eleven	Japan/Taiwan	2,421	3,680 (4,000)	Nationwide	Direct, importer, wholesaler, agent
Family Mart	Japan/Taiwan	819	1,700 (1,784)	Nationwide	Direct, importer, wholesaler, agent
Hi-Life	Taiwan	458	1,064 (1,124)	Nationwide	Direct, importer, wholesaler, agent
Circle K	U.S./Taiwan	324	810 (850)	Nationwide	Direct, importer, wholesaler, agent
Niko Mart	Taiwan	146	356 (365)	Nationwide	Direct, importer, wholesaler, agent

Source: Taiwan Chain Stores and Franchise Association Yearbook 2004; China Credit Information Service, Ltd.; *Distribution News*

\* Figures inside the parentheses represent number of outlets as of September 2005

- ❑ Family Mart, Hi-Life, Circle K, and Niko-Mart jointly formed a company, CVS.COM Co., Ltd., in October 2000. Part of the objective of this company is to jointly seek new products to be sold in the four convenience store chains. In the face of growing competition, they recently decided to use joint marketing strategies to compete, through CVS.COM, with their common rival, 7-Eleven. As of September 2005, there were 4,000 7-Eleven stores nation-wide. Family Mart, Hi-Life, Circle K, and Niko-Mart altogether owned 4,123 stores in Taiwan.
- ❑ As a part of this joint marketing strategy, Family Mart began to supply ready-to-eat fresh food items, breads, and desserts to the other three leading chains, i.e. High-Life, Circle, and Niko Mart.



- ❑ Laborer shortage is currently a common problem of Taiwan's convenience stores. Each chain is shifting their focus on housewives in the neighborhood from part-time students. They offer better pay and working conditions to attract these housewives to the work.
- ❑ Currently, the top three convenience store chains, i.e. 7-Eleven, Family Mart, and High-Life, have their own distribution centers to supply their own stores. Circle K reportedly will terminate its contract with an independent DC and will inaugurate its own Lai Lai Distribution Center by the end of 2005.

### Mom and Pop Grocery Stores

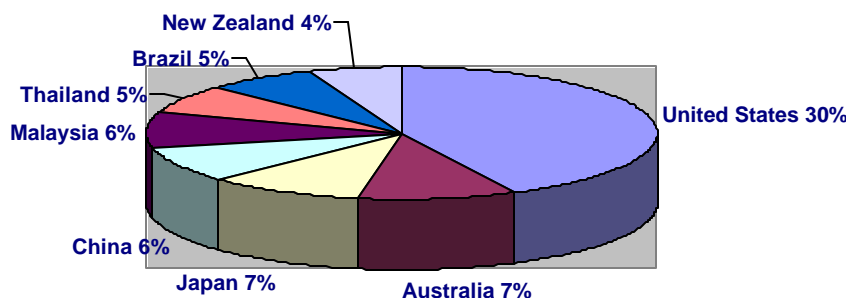
Mom and Pop grocery stores are still common in smaller towns on the island. Grocery products are usually supplied by local wholesalers. Although these 'mom and pop' grocery stores tend to be well located in the heart of residential areas, they are limited by the lack of shelf space and offer fewer varieties of products. Local consumers are increasingly turning to the greater product variety offered by supermarkets, hypermarkets, and convenience stores.

### Wet Markets

According to statistics released by Taiwan's Ministry of Economic Affairs, there are 631 public/private wet markets and 639 street stall gathering places in Taiwan. These businesses generate approximately US\$13 billion in annual sales. The major items sold in these traditional markets--meat, seafood, and fresh produce--account for over 50% of total wet market sales. Beginning in July 1999, Taiwan authorities have implemented a five-year program to upgrade and remodel traditional wet markets.

## SECTION III. COMPETITION

**2004 Taiwan Food and Agricultural Imports**  
Total US\$8.9 billion



In 2004, Taiwan imported US\$8.9 billion in food and agricultural products, of which US\$2.6 billion was imported from the United States. The United States (30%) was the number one agricultural supplier to Taiwan, followed by Australia (7%), Japan (7%), China (6%),

Malaysia (6%), Thailand (5%), Brazil (5%), and New Zealand (4%). Australia dominates the beef and mutton markets. Japan dominates the swine skin and biscuit markets and is very competitive in other consumer ready food products. New Zealand ranks as the top supplier of dairy products.

While maintaining its position as a substantial supplier of bulk commodities, such as soybeans and products (55%), corn (95%), and wheat (87%), the United States supplies 96% of turkey meat, 56% of fresh & frozen pork and products; 40% of vegetable & products; and 17% of fruits and products. The United States is the top supplier of most varieties of imported fresh fruits: apples (51% or US\$46 million), table grapes (56% or US\$13 million), grapefruits (81% and US\$3 million), oranges (66%, or US\$4 million), cherries (73%, or US\$32 million), peaches (81%, or US\$34 million), and plums (64%, or US\$5 million). \*\* Figures inside parentheses represent total US exports and US market share.

Product Category	Total Import Value 2004 (US 1,000)	U.S Market Share	Major Supply Sources and Market Share
Total Food-Agr Imports	8,862,033	30%	Australia (7%), Japan (7%), China (6%), Malaysia (6%), Thailand (5%), Brazil (5%), New Zealand (4%), Indonesia (4%), Canada (3%)
<b>Animal Products</b>			
Beef ** Fresh/Frozen/Processed	221,858	1.4%	New Zealand (52%), Australia (45%)
Pork, Fresh/Frozen/Processed	53,208	56%	Canada (38%)
Turkey Meat	18,398	96%	Nil
<b>Fish &amp; Seafood</b>			
Salmon	28,458	1.4%	Norway (40%), Canada (27%), Chile (17%), Japan (8%)
Lobster	40,602	30%	Australia (46%)
Fish Roe*	1,436	42%	Japan (43%), Canada (7%)
Surimi*	22,210	22%	India (40%), Thailand (31%)

<b>Dairy Products</b>	366,373	3%	New Zealand (37%), Australia (28%), Netherlands (8%), Denmark (6%), France (7%), Ireland (3%)
Cheese	49,032	10%	Australia (37%), New Zealand (36%)
Powder Milk	253,751	0.3%	New Zealand (37%), Australia (30%), Netherlands (10%), Denmark (8%)
<b>Horticulture</b>			
Fruits & Products	101,872	17%	China (24%), Thailand (11%), Iran (7%), Vietnam (7%), S. Africa (2%), Japan (2%)
Apples, Fresh	90,119	51%	Japan (17%), Chile (16%)
Table Grape, Fresh	23,144	56%	Chile (31%)
Cherries, Fresh	44,035	73%	Chile (10%), New Zealand (8%), Canada (7%)
Grapefruits, Fresh	3,964	81%	South Africa (16%)
Plum, Fresh	7,592	64%	Chile (27%)
Peaches, Fresh	41,480	81%	Chile (11%), Australia (5%)
Oranges, Fresh	5,792	66%	South Africa (19%)
<b>Vegetable &amp; Products</b>	184,107	40%	Thailand (12%), China (12%), Vietnam (6%)
Potatoes, Fresh, Frozen, Processed	58,373	57%	Canada (11%), Netherlands (9%)
Celery	2,130	100%	-
Onions, fresh	6,620	81%	New Zealand (12%)
Broccoli, fresh/frozen	7,908	83%	China (12%), Australia (4%)
<b>Tree Nuts</b>			
Almond *	11,341	95%	China (5%)
Walnut *	4,419	68%	China (16%), India (16%)
<b>Beverage</b>			
Apple Juice	2,248	8%	China (72%)
Grapefruit Juice	1,280	14%	Israel (44%), Japan (39%)
Grape Juice	4,839	31%	Spain (32%), Italy (22%)

Processed Foods			
Sunflower Oil	16,366	3%	Argentina (89%)
Pre Mix & Dough*	4,665	61%	Japan (21%), Australia (4%), Germany (3%)
Soups & Broths* Powder/Solid	5,482	18%	China (51%), Japan (16%), New Zealand (10%)
Canned Corn *	22,537	79%	Thailand (19%), New Zealand (2%)

Source: Council of Agriculture

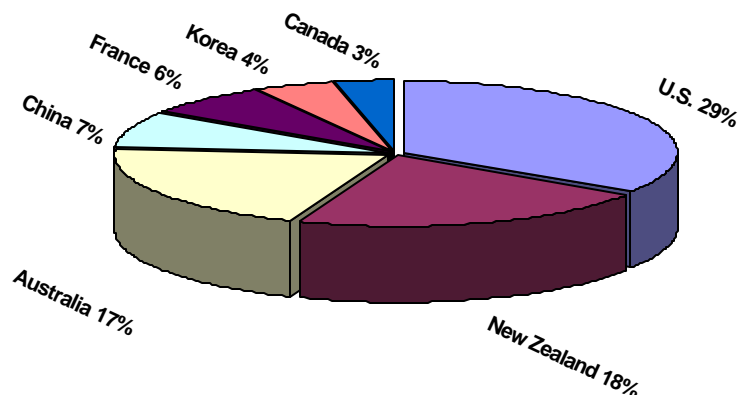
\* 2003 data

\*\* Taiwan tentatively banned U.S. beef imports due to concerns about BSE.

### 2004 Taiwan Consumer Food Imports

Total US\$1.8 Billion

Source: U.N. Trade Statistics



## SECTION IV. BEST PRODUCT PROSPECTS

	2003 Imports (US\$Mil)	2004 Imports (US\$Mil)	5-Yr. Avg. Annual Import Growth	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for USA
<b>Red Wine</b>	\$37.2	\$56	100%	10% plus a NT\$7 per one percent alcohol for grape wines.	French wine still dominates the red wine market. Knowledge about wines is generally low throughout wine distribution channels.	Currently, the United States is Taiwan's second largest wine supplier. Despite the front-runner position of French wines, US wines continue to gain consumer recognition and acceptance. The growth was fueled by the perception that wine is good for health
<b>Cheese</b>	\$34	\$49	20%	5%	Although the import volume is large, it is	The US share is growing faster than the larger

					dominated by New Zealand (37%) and Australia (26%).	competitors, meaning that those US cheese currently coming into the market are finding faster acceptance than those of competitors
<b>Whey</b>	\$10	\$11	4%	5%	Intense competition from major exporting nations such as New Zealand and Australia.	The U.S. is the major supplier of whey due to competitive pricing and successful promotion efforts into hotel/restaurant/institutional and processed food channels by U.S. exporters and the U.S. Dairy Export Council.
<b>Stone Fruit</b>	\$91	\$93	6%	20% plum/peach /nectarine	Taiwan's WTO accession (2002) opened the island's fruit market. Consequently, competition, in terms of new suppliers and new varieties from both abroad and domestic producers, is intensifying now.	Effective marketing programs targeting reliable quality, competitive pricing, and brands of US stone fruits has been undergone by the California Tree Fruit Agreement that could help retain and improve the market for US stone fruit in Taiwan.
<b>Berries</b>	\$1.1	\$2	79%	Blueberries 7.5% Strawberries 20%	Consumer/trade lack of product knowledge. Educational programs by US exporters are necessary.	Consumers in Taiwan are becoming more health conscious. Berries continue to enjoy a steadily increasing share of both consumer/retail and food service channels. There are strong growth prospects for berry, strawberries and blueberries in particular, category.
<b>Chicken Meat &amp; Offal</b>	\$22	\$40	56%	20%	The TRQ controls on chicken meat was eliminated in January 2005 and replaced by ordinary tariffs. However, an SSG assessment would add an estimated 633% to normal tariffs, resulting in an effective tariff of about 26.33% for chicken meat.	Imports are rising significantly in the wake of Taiwan's elimination of all tariff rate quota restrictions in January 2005. The United States is currently in a strong supply position, being one of only six countries certified for poultry exports to Taiwan and the only one of these with sufficient volumes and competitive pricing points.
<b>Tree Nuts</b>	\$29	\$36	6%	Sweet almonds: in shell 5%; shelled 2.5% Bitter almonds: 10% Hazel nuts: shelled 7% In-shell 7.5%	Currently, the US dominates the following nut market: almonds, and walnuts. Cashes from China and SE Asia has shifted some market share away from U.S. suppliers. The greatest competition to US pistachio exporters is from Middle East and Australia.	Nuts (mainly almonds, and walnuts) are very popular as ingredients used in baking. The US currently dominates these categories. Constant communication with the baking industry technical seminars and trade shows is essential to grow in this category.

				Walnuts 5% Pistachios 3% Pecan 7.5%		
<b>Red Meat &amp; Offal</b>	\$395	\$432	11%	Beef-10% per kg Beef offal – 15% Pork-12.5% Variety meat-15%	Beef-The primary competitor is Australia, whose advantage is customer-perceived comparable/acceptable quality at a low price. Pork-is a market where the domestic producers have many competitive advantages.	U.S. beef is perceived to be high quality. There are growth opportunities for U.S. pork that meets local food processors' needs.
<b>Seafood</b>	\$307	\$314	-5%	9%-38%	With a bias towards fresh fish and SE Asia-variety crustaceans, the seafood segment currently has development problems	The food service/HRI venues with a strong Western orientation and up-market positioning offer the current best opportunities for U.S. exporters

Source: Taiwan Council of Agriculture

## V. Key Contacts and Further Information

### American Institute in Taiwan

Organization Name Agricultural Trade Office  
Address Room 704, 7F, 136 Renai Road, Section 3, Taipei, Taiwan  
Telephone (886-2) 2705-6536; Fax: (886-2) 2706-4885  
E-mail ato@ait.org.tw  
Internet Homepage <http://www.ait.org.tw/en/agriculture/ato/>

Organization Name United States Department of Agriculture  
Department Foreign Agricultural Services  
Address U.S. Department of Agriculture, Washington, D.C. 20250  
E-mail info@fas.usda.gov  
Internet Homepage [www.fas.usda.gov](http://www.fas.usda.gov)

### Taiwan Central Authority Agencies

Organization Name Bureau of Standards, Metrology & Inspection (BSMI)  
Address No. 4 Chinan Road, Section 1, Taipei, Taiwan  
Telephone (886-2) 2321-2790; Fax: (886-2) 2356-0998  
Internet Homepage <http://www.bsmi.gov.tw>

Organization Name Council of Agriculture, Executive Yuan  
Address No. 37, Nanhai Road, Taipei, Taiwan  
Telephone (886-2) 2381-2991; Fax: (886-2) 2331-0341  
E-mail coa@mail.coa.gov.tw

Internet Homepage <http://www.coa.gov.tw>

Organization Name Bureau of Animal & Plant Health Inspection & Quarantine (BAPHIQ)  
 Address 9 Fl., No. 51, Chungching S. Rd, Sec. 2., Taipei, Taiwan  
 Telephone (886-2) 2343-1401; Fax: (886-2) 2343-1400  
 E-mail [baphiq@mail.baphiq.org.tw](mailto:baphiq@mail.baphiq.org.tw)  
 Internet Homepage <http://www.baphiq.gov.tw>

Organization Name Department of Health (DOH)  
 Department Bureau of Food Sanitation  
 Address No. 100 Aikuo E. Road., Taipei, Taiwan  
 Telephone (886-2) 2393-8209; Fax: (886-2) 2392-9723  
 Contact Person Dr. Lu-hung Chen, Director  
 E-mail [fslhcn@doh.gov.tw](mailto:fslhcn@doh.gov.tw)  
 Internet Homepage <http://www.doh.gov.tw>

Organization Name Directorate General of Customs, Ministry of Finance (MOF)  
 Address No. 13, Ta Cheng Street, Taipei, Taiwan  
 Telephone (886-2) 2550-5500; Fax: (886-2) 2550-8111  
 E-mail [customs@mail.dgoc.gov.tw](mailto:customs@mail.dgoc.gov.tw)  
 Internet Homepage <http://www.dgoc.gov.tw>

Organization Name Food Industry Research and Development Institute  
 Address 331 Shih-Pin Road, Hsinchu, Taiwan  
 Telephone (886-3) 5223191; Fax: (886-3) 5214016  
 Internet Homepage <http://www.firdi.org.tw>

Organization Name Bureau of Foreign Trade (BOFT), Ministry of Economic Affairs  
 Address No. 1, Hukou Street, Taipei, Taiwan  
 Telephone (886-2) 2351-0271; Fax: (886-2) 2351-3603  
 E-mail [boft@trade.gov.tw](mailto:boft@trade.gov.tw)  
 Internet Homepage <http://www.trade.gov.tw>

### Major Taiwan Trade Associations

Organization Name Taiwan Chain Stores and Franchise Association (TCSFA)  
 Address 7F, 197 Nanking E. Road, Section 4, Taipei, Taiwan  
 Telephone (886-2) 2712-1250; Fax: (886-2) 2717-7997  
 Internet Homepage <http://www.tcfa.org.tw>

Organization Name Taiwan External Trade Development Council (TAITRA)  
 Address 333 Keelung Road, Sec. 1, Taipei Taiwan  
 Telephone (886-4) 2725-5200; Fax: (886-2) 2757-6443  
 Internet Homepage [www.taiwantrade.com.tw](http://www.taiwantrade.com.tw)

Organization Name Importers and Exporters Association of Taipei (IEAT)  
 Address No. 350, Sungkiang Road, Taipei, Taiwan  
 Telephone (886-2) 2581-3521; Fax: (886-2) 2542-3704  
 E-mail [ieatpe@ieatpe.org.tw](mailto:ieatpe@ieatpe.org.tw)  
 Internet Homepage <http://www.ieatpe.org.tw>

Organization Name Kaohsiung Importers & Exporters Association (IEAK)

Address 4F, 472 Chung Shan 2<sup>nd</sup> Road, Kaohsiung, Taiwan  
Telephone (886-7) 241-1191; Fax: (886-7) 201-6193  
E-mail [kianet@ms15.hinet.net](mailto:kianet@ms15.hinet.net)

Other ATO Taipei market and commodity reports, including Taiwan Exporter Guide, Taiwan Food Processing Ingredients Sector Report, and HRI Food Service Sector Report are available at the United States Department of Agriculture's website [www.fas.usda.gov](http://www.fas.usda.gov).